

City of Seattle

Office of City Auditor



Susan Cohen, City Auditor

Date: January 12, 2004

To: Councilmember Nick Licata

From: Susan Cohen, City Auditor *SC*

Subject: Supportive Housing Program Audit Follow-Up Review

During the Washington State Auditor's Office presentation of the Citywide audit at the October 1st meeting of the Finance, Budget, Business and Labor Committee, you asked my Office to follow up a concern regarding the Human Services Department's McKinney Supportive Housing Program. The Washington State Auditor's Office found that the City had not submitted annual progress reports for any Supportive Housing Program grants in 2002, within the 90-day time period required by the U.S. Department of Housing and Urban Development. The Department of Housing and Urban Development's Regional Office as well as the Office of Audit released reports in December 2001 and June 2003 that contained findings regarding the adequacy and timeliness of the Supportive Housing Program's annual reporting practices. Based on our review, we concluded that the Human Services Department has successfully resolved the annual progress reporting issues identified in 2002. Our conclusion is consistent with the U.S. Department of Housing and Urban Development Regional Office's formal approval of the City's new annual progress reporting and grant close-out procedures. The Regional Office also closed its case findings related to the City's annual progress reporting in November 2003.

This follow-up review focuses on the Supportive Housing Program's efforts to implement corrective procedures to improve its annual progress reporting process. In addition, we assessed the annual progress reports for all five grants that closed out after the release of the Washington State Auditor's Office report to determine whether the Supportive Housing Program improved its compliance with federal reporting requirements.

Introduction and Background

The U.S. Department of Housing and Urban Development's Supportive Housing Program is designed to promote the development of supportive housing and supportive services for homeless persons. The McKinney Homeless Assistance Program provides funding for a wide variety of capital, operating, and supportive services associated with transitional and permanent housing programs for homeless people. The major program goals include increased residential stability; increased skill level and/or income of participants; and greater self-determination.

Federal supportive housing grants that are provided to states, local governments, and other organizations can be used to provide transitional or permanent housing; housing developed in conjunction with innovative or alternative projects; and supportive services for homeless persons

not provided in conjunction with supportive housing. The City of Seattle received federal funding for 32 Supportive Housing project grants that were active during 2001 and 2002.¹

Scope of Review

This follow-up review focuses on annual progress reporting and close-out processes for five of the 32 Supporting Housing Program grants with scheduled deadlines that followed the release of the Department of Housing and Urban Development's McKinney Programs Management Review in June 2003. In assessing the Supportive Housing Program's compliance with federal annual progress reporting requirements and internal close-out procedures, we:

- Conducted interviews with U.S. Department of Housing and Urban Development, City Human Services Department, and Supportive Housing Program management and staff;
- Reviewed federal Supportive Housing Program requirements and regulatory literature, and the City Supportive Housing Program's revised annual progress report and close-out policies;
- Interviewed Washington State Auditor's Office personnel assigned to the 2001 and 2002 Citywide audit team and reviewed five McKinney Supportive Housing Program audit files;
- Developed a Supportive Housing Program matrix to assess compliance with federal program requirements and internal Human Services Department close-out procedures;
- Analyzed Supportive Housing Program annual progress reports and close-out tracking data and evaluated annual progress reports submitted by Project Sponsors and the City's internal checklist for the five grant projects that closed out subsequent to June 2003.

Analysis and Observations

Our analysis and observations are based on a schedule review and qualitative assessment of the five grant projects scheduled to close out after June 2003. Exhibit 1 below identifies the grants, along with the annual progress report (APR) deadlines and submission dates.

¹Two of the 32 McKinney Supportive Housing grants, which funded new housing construction, acquisition, and rehabilitation projects, were not reviewed by the Washington State Auditor's Office during its 2002 audit of the Supportive Housing Program.

EXHIBIT 1 ANNUAL PROGRESS REPORT/CLOSE-OUT DATES					
Grant Number	Project Sponsor	Grant Amount	Grant Ending Date	APR Due	APR to HUD (Actual)
B100025	AHA '01—Dorothy Day	\$ 25,423	5/31/03	8/31/03	8/29/03
B000015	Seattle Children's Home Cedar House	\$336,306	5/31/03	8/31/03	8/28/03
B000028	PHG '00—Coming Home	\$984,096	6/30/03	9/30/03	10/9/03
B100021	Compass Center '01 Cascade Women's	\$ 80,012	5/31/03	8/31/03	Incomplete as of 11/20/03
B100004	CCGS '01—Transition in Place	\$ 80,861	5/31/03	8/31/03	10/9/03
Source: Human Services Department Supportive Housing Program Annual Progress Report and Close-Out Tracking Spreadsheet and Grant Project Files, 2003.					

As shown in Exhibit 1 above, the Supportive Housing Program completed and submitted annual progress reports for two of the five grant projects within the scheduled 90-day deadline. In addition, one annual progress report was completed and submitted shortly after the deadline. According to the Regional Office Community Planning and Development Representative, the U.S. Department of Housing and Urban Development allows state and local grantees 110 days from the grant ending date to submit annual progress reports.² Thus, the Supportive Housing Program submitted three of the five annual progress reports and close-out information within the allowable federal time frame.

However, due to a Project Sponsor (Compass Center) database system failure, the Supportive Housing Program did not have sufficient information to complete its annual progress report and close-out procedures for the fourth grant within the 90-day deadline or the 110-day allowable time frame. Although the fourth annual progress report was not submitted within the allowable time frame, the U.S. Department of Housing and Urban Development also provides Supportive Housing Program grantees reporting deadline exceptions in unusual circumstances. In this case, a reporting exception was granted because the database system failure prevented the Project Sponsor from accessing the performance data needed for the City to complete and submit its annual progress report. Thus, the Supportive Housing Program submitted annual progress reports within the allowed time frames for four of the five grants, achieving an 80 percent compliance rate.

We also conducted a qualitative review of the five grant files, and determined the Supportive Housing Program consistently adhered to its internal policies and procedures for verification and

²Delayed submission of annual progress reports and close-out information is problematic and requires specialized processing, because the federal Line of Credit Control System automatically rejects reimbursement requests submitted after 110 days.

assessment of the close-out information provided by Project Sponsors (Appendix 1 contains summary audit results for each reporting criterion). The two exceptions were the inconsistent completion of the cash disbursement forms required by the City, and the absence of explanatory information for some performance criteria.

Federal Regional Office Closes Supportive Housing Program Finding

It should be noted that the State Auditor's Office findings on the Supportive Housing Program were developed shortly after the Regional Office released its report in June 2003. Thus, the Supportive Housing Program did not have sufficient time to fully implement its improved annual progress report and close-out procedures. As of November 2003, however, the Regional Office determined that the Supportive Housing Program had achieved substantial progress in implementing corrective action in response to ongoing monitoring and reporting issues. Noteworthy improvements cited by the Regional Office Community Planning and Development Representative included:

- Assigning additional staff to assist the Supportive Housing Program with monitoring and reporting requirements;
- Developing new annual progress reporting and close-out policies and procedures;
- Disseminating the new policies and procedures to all Project Sponsors; and
- Collaborating with the Regional Office Community Planning and Development Representative to meet with the City's Project Sponsors to improve their awareness of the federal requirements and encourage increased compliance.

The Regional Office Community Planning and Development Program Manager formally approved the Supportive Housing Program's new annual progress report and close-out policies, and closed its finding in November 2003.

We appreciate the excellent cooperation and collaborative efforts of the Human Services Department and Supportive Housing management and staff during the review process. If you have any questions or comments, please contact me at 233-1093, Susan Baugh at 684-3431, or Wendy Soo Hoo at 615-1117.

SC:SB:WSH:tlb

cc: Mayor Greg Nickels, City of Seattle
Jan Drago, President, City Council
Richard McIver, Chair, City Council Finance and Budget Committee
Tom Rasmussen, Chair, City Council Housing, Human Services and Health Committee
Patricia McInturff, Director, Human Services Department
Alan Painter, Director, Community Services Division
Andrew Lofton, Chief of Departmental Operations, Mayor's Office
Regina LaBelle, Counsel to the Mayor, Mayor's Office
Aaron Bert, Public Development Authority Coordinator

APPENDIX 1
MCKINNEY SUPPORTIVE HOUSING PROGRAM
STATUS OF ANNUAL PROGRESS REPORTING REQUIREMENTS

Supportive Housing Program financial and program reporting requirements for five grants were analyzed during our in-depth review. The following exhibit displays whether the five grants complied with the U.S. Department of Housing and Urban Development’s established 90-day deadline for the submission of expenditure and performance reporting in their Annual Progress Reports. It also displays whether grant Project Sponsors and City program specialists complied with additional reporting requirements and internal review procedures established by the Human Services Department.

Federally Required Close-Out Expenditure Reporting		
Submit expenditure verification information (to be checked by Human Services Department), including:	Yes	No
▪ Final Contractors Invoice Form—Line Item Reimbursement	4	1
Detailed Statement of Costs	4	1
Cash Disbursement Form*	1	4
Matching Funds Tracking Sheet	4	1
▪ Completed APR Part 2 Financial Information		
Supportive Services Breakdown (e.g., outreach, education, etc.)	5	
Leasing, Supportive Services, Operating Costs, and Administration	5	
Federally Required Close-Out Performance Reporting		
Submit Program Performance Section of APR, including:	Yes	No
▪ APR cover page signed and dated by designated Project Sponsor official	5	
▪ Part 1—Project progress section APR, signed and dated by Project Sponsor official		
Projected level of persons to be served at a given point in time	5	
Persons served during the operating year	5	
Project capacity	5	
Non-homeless persons	5	
Age and gender	5	
Veteran status	5	
Ethnicity	5	
Race	5	
Special needs	5	
Prior living situation	5	
Amount and source of monthly income at entry and at exit	5	
Length of stay in program (of participants who <u>left</u> during operating year)	5	
Reasons for leaving	5	
Destination	5	
Supportive services	5	
Overall program goals—Residential stability	5	
Overall program goals—Increased skills or income	5	
Overall program goals—Greater self-determination	5	
Beds	4	1

Human Services Department Internal Expenditure Review		
Department will reconcile Project Sponsor expenditures with Human Services Department records and the federal Line of Credit Control System. Tasks include:		
▪ Attach completed McKinney Grant Reconciliation and Close-Out form to the Project Sponsor's final invoice and route for processing	4	1
▪ Notify accounting department of the last invoice by making a notation on invoice routing form	3	2
▪ Forward a copy of the APR Part 2: Financial Information Sections 18 and 19 to the department's McKinney Coordinator	5	
Human Services Department Internal Program Performance Review		
▪ Upon receipt of Part 1 of the APR, reviewer will use the APR checklist to verify internal consistency, compare participant data to application and technical submission, and make notes regarding progress	5	
▪ The APR and completed checklist will be forwarded to the department's McKinney Coordinator, who will attach Sections 18 and 19 to the APR and forward for the Human Services Department Director's signature	5	
▪ Final APR will be mailed to HUD within 90 days of project end date (per APR Form HUD-40118—two copies will be submitted: one copy to HUD Headquarters in Washington, D.C., and one copy to the CPD Division Director in the local HUD Field Office)	2	3
▪ HUD Continuum of Care Close-Out Certification will be mailed to HUD	1	4

*Based upon the audit review, the Supportive Housing Program indicated that it would amend its cash disbursement form requirement to reflect current practices of allowing Project Sponsors to submit their own account ledgers rather than entering the same data on a City form.

City of Seattle

Human Services Department



December 22, 2003

Susan Cohen
Office of the City Auditor
700 Fifth Avenue, Room 2410
Seattle, WA 98104

Subject: McKinney Supportive Housing Program
Audit Follow-up Review

Dear Ms. Cohen:

The Seattle Human Services Department appreciates the opportunity to review and comment on the results of your review of the department's McKinney Supportive Housing Program (SHP).

This HUD funded program provides vital services and housing to hundreds of homeless persons in Seattle by linking key supportive services to achieving stable permanent housing. The department's McKinney program is comprised of approximately 23 separate grants that are both varied and complex.

The City's audit review focused on our implementation of an annual progress report and close out procedure. As the report indicates, our system for assuring compliance with this HUD requirement was operational by the time of the city's review. Our successful resolution of this issue directly results from continuing efforts on our part to effectively manage complex programs, while maintaining the smooth delivery of important services to our neediest citizens. The audit report is also a testament to the strong network of grantee agencies whose dedicated staff are faithful to the goal of delivering good programs on behalf of the homeless of Seattle.

I would like to thank Susan Baugh and Wendy Soo Hoo of your staff for their professionalism during the review. We appreciated their helpfulness and courtesy during

Susan Cohen
December 22, 2003
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this process. In the meantime, if there are any questions or the need for additional information, please do not hesitate to contact Eileen Denham of my staff at 206-684-0915.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia McInturff".

Patricia McInturff
Director

cc: Greg Nickels, Mayor, City of Seattle
Jan Drago, Chair, City Council Finance, Budget, Business and Labor Committee
Nick Licata, Councilmember, City of Seattle
Aaron Bert, Public Development Authority Liaison, Department of Finance
Regina LaBelle, Counsel to the Mayor, Mayor's Office
Andrew Lofton, Chief of Departmental Operations, Mayor's Office
Alan Painter, Director, HSD / Community Services Division